

CITY COUNCIL AGENDA ITEM COVER MEMO

Agenda Item Number _____

Meeting Type: Regular

Meeting Date: 12/6/2012

Action Requested By:
Human Services

Agenda Item Type
Resolution

Subject Matter:

Agreement between the City of Huntsville and Cavanaugh MacDonald Consulting, LLC., actuarial analysis of the City's retiree health insurance plan.

Exact Wording for the Agenda:

Resolution authorizing the Mayor to enter into an agreement between the City of Huntsville and Cavanaugh MacDonald Consulting, LLC., for the purpose of providing actuarial analysis of the City's retiree health insurance plan.

Note: If amendment, please state title and number of the original

Item to be considered for: Action

Unanimous Consent Required: No

Briefly state why the action is required; why it is recommended; what Council action will provide, allow and accomplish and; any other information that might be helpful.

Associated Cost:

Budgeted Item: Select...

MAYOR RECOMMENDS OR CONCURS: Select...

Department Head: 

Date: 12/3/2012

RESOLUTION NO. 12-_____

WHEREAS the City Council of the City of Huntsville, Alabama, does hereby declare that the Mayor be, and he is hereby authorized to enter into a Contract between the City of Huntsville and Cavanaugh MacDonald Consulting, LLC on behalf of the City of Huntsville, a municipal corporation in the State of Alabama, which said agreement is substantially in words and figures similar to the certain document attached hereto and identified as "Agreement Between the City of Huntsville and Cavanaugh MacDonald Consulting, LLC for Actuarial Services on the City's Post-Retirement Medical Plan" consisting of three (3) pages and the date of December 6, 2013 appearing on the margin of the first page, together with the signature of the President or President Pro Tem of the City Council, an executed copy of said document being permanently kept on file in the Office of the City Clerk-Treasurer of the City of Huntsville, Alabama.

ADOPTED this the 6th day of December, 2012.

President of the City Council of
the City of Huntsville, Alabama

APPROVED this the 6th day of December, 2012.

Mayor of the City of
Huntsville, Alabama

ROUTING SLIP CONTRACTS AND AGREEMENTS

Originating Department: **Human Resources**

Council Meeting Date: **12/6/2012**

Department Contact: **Cynthia Lehman**

Phone # **427-5244**

Contract or Agreement: **Cavanaugh MacDonald Consulting, LLC**

Document Name:

City Obligation Amount: **\$6,500 plus \$2.50 pe...**

Total Project Budget:

Uncommitted Account Balance:

Account Number:

Procurement Agreements

Select...

Select...

Grant-Funded Agreements

Select...

Grant Name:

Department	Signature	Date
1) Originating	<i>Cynthia Lehman</i>	12/3/12
2) Legal		
3) Finance		
4) Originating		
5) Copy Distribution		
a. Mayor's office (1 copies)		
b. Clerk-Treasurer (Original & 2 copies)		

**AGREEMENT BETWEEN THE CITY
OF HUNTSVILLE AND CAVANAUGH
MACDONALD CONSULTING, LLC
FOR ACTUARIAL SERVICES ON THE
CITY'S POST-RETIREMENT
MEDICAL PLAN**

STATE OF ALABAMA)
)
COUNTY OF MADISON)

AGREEMENT

THIS AGREEMENT is made and entered into this the ____ day of December, 2012, by and between the City of Huntsville, Alabama, a municipal corporation in the State of Alabama (hereinafter referred to as "City") and Cavanaugh Macdonald Consulting, LLC, (hereinafter referred to as "Consultant").

WITNESSETH

WHEREAS, Consultant has an agreement with the Alabama State Employees' Insurance Board (SEIB) to provide actuarial services to the SEIB and all participating members of the Alabama Employees' Retirement System (ERS) and the Local Government Health Insurance Program, known as the Joint Actuarial Study Program; and

WHEREAS, information pertinent to the Joint Actuarial Study Program is described in the Memorandum Of Participation which is attached hereto and incorporated herein as Attachment "A"; and

WHEREAS, the City is an ERS participant and desires an actuarial valuation of its post-retirement medical plan.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein, the parties do hereby agree as follows:

1. Consultant shall:
 - a. Perform an actuarial valuation of the City's post-retirement medical plan as of September 30, 2012.
 - b. Produce a report in accordance with the requirements and standards of the actuarial profession, disclosing actuarial methods, assumptions, procedures and data sources, and the information necessary for the City to comply with the reporting requirements of GASB 43/45, within the time period described in Attachment A.

President of the City Council of
the City of Huntsville, Alabama
Date: _____

2. City shall:

a. Provide Consultant the information described in the "Data Collection Sheet" of Attachment A.

b. Pay Consultant the sum of Six Thousand Five Hundred Dollars (\$6,500.00) plus Two Dollars and Fifty Cents (\$2.50) per participant for the services herein described in accordance with Attachment A upon submission of Consultant's final report and an invoice from Consultant.

3. In the performance of this work it is understood between the parties that Consultant and its employees, agents, subcontractors and consultants, if any, shall be acting as independent contractors and not as an employee of the City of Huntsville. Contractor shall have no authority to obligate the City to any indebtedness or other obligation.

4. City may terminate this Agreement at any time for any reason, with or without cause, upon written notice delivered to Consultant. In the event of such termination, City shall compensate Consultant a prorated portion of the fee herein described based on work performed by Consultant prior to the termination.

5. The point of contact for the City shall be Byron Thomas, City of Huntsville, Alabama, and the point of contact for the Consultant shall be as described in Attachment A.

6. This Agreement shall be governed by the laws of the State of Alabama. Venue for all actions arising out of this Agreement shall be in the courts of Madison County, Alabama.

7. Nothing in this contract shall create, or be interpreted to create, privity or any other contractual agreement between the City and any person or entity other than Consultant.

8. This Agreement represents the entire agreement between the City and Consultant and supersedes all prior communications, negotiations, representations or agreements, either written or oral. This agreement may be amended only by written instrument signed by both City and Consultant.

IN WITNESS WHEREOF, the parties have entered their hands and seals and attest to the same with the signature of the Mayor being the official act of the said municipality in accordance with his duly constituted authority.

(signature page follows)

CITY OF HUNTSVILLE, ALABAMA,
A Municipal Corporation in
The State of Alabama

By: _____
Tommy Battle, Mayor

ATTEST:

Charles E. Hagood, Clerk-Treasurer

**CAVANAUGH MACDONALD
CONSULTING, LLC**

By: Chris Battle
Its: Principal and Consulting
Actuary

ATTEST:
By: Kathryn Casper
Its: Office Manager



MEMORANDUM OF PARTICIPATION OTHER POST-EMPLOYMENT BENEFITS (OPEB) SEPTEMBER 30, 2012 VALUATION

LOCAL UNIT: _____
 MAILING ADDRESS: _____
 CITY: _____ ZIP CODE: _____
 NAME: _____
 TITLE: _____
 PHONE #: () _____ E-MAIL: _____

On behalf of the unit government noted above, we agree to participate in the Joint Actuarial Study Program offered through the Alabama State Employees' Insurance Board (SEIB). I understand that Cavanaugh Macdonald Consulting, LLC has been selected as the actuarial firm to perform the studies and may contact us to get additional information as needed.

I understand that **we will be billed directly by Cavanaugh Macdonald Consulting, LLC** and copies of the actuarial report will be mailed to our office by Cavanaugh Macdonald Consulting. I understand that the fee structure is as follows: The fees for a local unit will vary by population and participation in the Alabama Employees' Retirement System (ERS) and the Local Government Health Insurance Program (LGHIP).

FEE SCHEDULE - The fees for a local unit will vary by population and participation in ERS. The fees also depend on whether the local participates in the LGHIP.

	In ERS and LGHIP	All Others
Base Fee		
▪ Less than 20 active/retired participants	\$3,500	\$4,500
▪ 20-49 active/retired participants	\$4,500	\$5,500
▪ 50-99 active/retired participants	\$5,000	\$6,000
▪ 100 or more active/retired participants	\$5,500	\$6,500
Per Participant Fee		
▪ Less than 50 active/retired participants	\$5.00	\$5.00
▪ 50-99 active/retired participants	\$4.00	\$4.00
▪ 100-249 active/retired participants	\$3.25	\$3.25
▪ 250-499 active/retired participants	\$2.75	\$2.75
▪ 500 or more active/retired participants	\$2.50	\$2.50

Obligations for other benefits such as disability, long term care, etc., are required by GASB 43 and 45, but due to the complexity and variation of benefits provided from employer to employer, the evaluation of these benefits is not included in the scope or fees of this proposal. Fees and the required data to perform the analysis will be determined on a case-by-case basis.

Local units must return this Memorandum of Participation indicating your desire to participate along with all requested data. The OPEB valuations will be completed within 10 to 12 weeks of receipt of all requested information.

 Finance Officer Signature

Mail form to:
 Cavanaugh Macdonald Consulting, LLC
 3550 Busbee Parkway, Suite 250
 Kennesaw, Georgia 30144

Signed this _____ day of _____, 2012.



**DATA COLLECTION SHEET FOR
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
COVERED BY GASB 43 AND 45
SEPTEMBER 30, 2012 VALUATION**

Please provide information listed below as of **September 30, 2012**.

LOCAL UNIT: _____

UNIT'S RETIREMENT SYSTEM 3 LETTER CODE: _____

1) Demographic Data Requirements – (All data must be submitted **electronically** (Excel, Access or other approved format). **Please do not provide census or demographic data in .PDF format.** (If you are submitting data via e-mail and you choose to use Social Security numbers as the unique identifier, for the protection of your members, you should consider password protecting or encoding this identifier.) Active data will be provided by Alabama ERS.

a) For retired employees and beneficiaries as of the valuation date (September 30, 2012), please provide an electronic listing including the following information.

- Unique Identifier (i.e., employee number)
- Name
- Gender (M or F)
- Date of Birth
- Date of Hire
- Date of Retirement
- Years and Months of Service (YY/MM)
- Spouse Date of Birth (If applicable)
- Medical Plan Election
- Medical Coverage Tier (single, family, etc.)
- Dental Plan Election
- Dental Coverage Tier (single, family, etc.)
- Vision Plan Election
- Vision Coverage Tier (single, family, etc.)
- Life Insurance

b) For former employees who are not yet retired, but who will be eligible for retiree health care benefits, please provide an electronic listing including the following information.

- Unique Identifier (i.e., employee number)
- Name
- Gender (M or F)
- Date of Birth
- Date of Hire
- Date of Termination
- Date or age at which person becomes eligible for retiree health care benefits
- Years and Months of Service (YY/MM)

c) If the local unit currently employs members that are eligible to receive retirement benefits from the Alabama ERS but are **not eligible** to receive OPEB benefits please provide an electronic listing in Microsoft Excel format; of those members.



- 2) **Plan Provisions** - Please provide copies of the appropriate pages of the County's employee handbook or personnel policy that provides a description of the retiree health care benefit provisions as of the valuation date. If different provisions affect different portions of the retiree or future retiree population, please indicate which provisions cover which groups.

Retiree Benefits, Eligibility Conditions, and Duration: Please check all that apply.

Medical

Eligibility Conditions:

- ☐ Normal Retirement ☐ Early Retirement ☐ Disability Retirement ☐ Death-in-Service (Survivor Benefit)
- ☐ Other: _____

Retiree Benefit Duration:

- ☐ Not Eligible ☐ Until Eligible for Medicare ☐ Retiree's Lifetime
- ☐ Other: _____

Does the Retiree contribute towards the cost of their coverage? If YES, please explain.

Dependent Benefit Duration:

- ☐ Not Eligible ☐ Until Retiree is Eligible for Medicare ☐ Until Dependent is Eligible for Medicare ☐ Dependent's Lifetime
- ☐ Other: _____

Does the Dependent contribute towards the cost of their coverage? If YES, please explain.

Dental

Dental Plans Available to Retirees/Dependents:

- ☐ None ☐ Combined with Medical Plan Above (Not Stand Alone) ☐ Stand Alone

Eligibility Conditions:

- ☐ Normal Retirement ☐ Early Retirement ☐ Disability Retirement ☐ Death-in-Service (Survivor Benefit)
- ☐ Other: _____

Retiree Benefit Duration:

- ☐ Not Eligible ☐ Until Eligible for Medicare ☐ Retiree's Lifetime
- ☐ Other: _____

Does the Retiree contribute towards the cost of their coverage? If YES, please explain.

Dependent Benefit Duration:

- ☐ Not Eligible ☐ Until Retiree is Eligible for Medicare ☐ Until Dependent is Eligible for Medicare ☐ Dependent's Lifetime
- ☐ Other: _____

Does the Dependent contribute towards the cost of their coverage? If YES, please explain.



Vision

Vision Plans Available to Retirees/Dependents:

- ☐ None ☐ Combined with Medical Plan Above (Not Stand Alone) ☐ Stand Alone

Eligibility Conditions:

- ☐ Normal Retirement ☐ Early Retirement ☐ Disability Retirement ☐ Death-in-Service (Survivor Benefit)

☐ Other: _____

Retiree Benefit Duration:

- ☐ Not Eligible ☐ Until Eligible for Medicare ☐ Retiree's Lifetime

☐ Other: _____

Does the Retiree contribute towards the cost of their coverage? If YES, please explain.

Dependent Benefit Duration:

- ☐ Not Eligible ☐ Until Retiree is Eligible for Medicare ☐ Until Dependent is Eligible for Medicare ☐ Dependent's Lifetime

☐ Other: _____

Does the Dependent contribute towards the cost of their coverage? If YES, please explain.

Life Insurance

Life Insurance Benefits Available to Retirees/Dependents (check all that apply):

- ☐ None ☐ Benefit based on Salary at retirement ☐ Flat Dollar Amount

Does the benefit change based on age? If YES, please explain.

Eligibility Conditions:

- ☐ Normal Retirement ☐ Early Retirement ☐ Disability Retirement ☐ Death-in-Service (Survivor Benefit)

☐ Other: _____

Retiree Benefit Duration:

- ☐ Not Eligible ☐ Until Eligible for Medicare ☐ Retiree's Lifetime

☐ Other: _____

Does the Retiree contribute towards the cost of their coverage? If YES, please explain.

Dependent Benefit Duration:

- ☐ Not Eligible ☐ Until Retiree is Eligible for Medicare ☐ Until Dependent is Eligible for Medicare ☐ Dependent's Lifetime

☐ Other: _____

Does the Dependent contribute towards the cost of their coverage? If YES, please explain.

- 3) **Medical Coverage Summary** - Please provide a summary of medical coverage for each health care option. The summary should include items such as co-pays, deductibles, out of pocket maximums, office co-pays, etc. for each separate plan option (i.e., HMO, PPO option 1, Indemnity 1, etc.).



- 4) **Premium Rate Information** - Please submit the 2013 and 2012 fully-insured monthly active and retiree premium rates with effective dates with employer and employee contributions.

Is the locality a member of the LGHIP? _____

If YES, please identify the Blue Cross Blue Shield monthly retiree premium rates effective January 1, 2013 and identify which rates apply to the locality. A copy of the rates has been included at the end of this document for your convenience.

- 5) **Aggregate Claims Experience, Administrative, and Other Fixed Fees – Only if not in LGHIP**

Does the local unit participate in the LGHIP? If YES, please skip to question 6.

If you do **NOT** participate in the LGHIP, please provide the following information in **electronic format. (Excel is preferred, please do not submit as .PDF file.)**

- a) Monthly headcounts and paid aggregate claims (separately) for the most recently available 24 months. Enrollment data should include employees/retirees as well covered dependents. Claims and enrollments should be summarized separately by
 - Retiree vs. active groups
 - Medicare-eligible (Post – 65) vs. Non Medicare-Eligible (Pre – 65)
 - Claim type:
 - Medical
 - Prescription drugs
 - Dental
 - Vision, etc.
- b) Stop/Loss reimbursement totals for the Medicare and non Medicare (reported separately) eligible retiree health care plans for the most recent 24 months.
- c) Stop Loss rates (both aggregate and specific) and attachment points.
- d) Monthly administrative expenses for the current period divided by category, as appropriate. (For example claims administration, utilization review, PPO fees, etc.) We are interested in all fees that are paid in addition to claims. If only one vendor is paid for all administration functions then the breakdown by category is not necessary.
- e) Report all capitated service fees.
- f) Historical stop/loss reimbursement totals

Some of the above data may have to be obtained from the health plan claims administrator. As the data submitted is reviewed and we work through the project, additional information may be required. Please provide separate responses for each of the expected covered subgroups, and for each plan of health, if applicable.

- 6) **Asset Information:** Does the locality have assets reserved in an irrevocable Trust solely for retiree health care?

- ☐ Yes, and the amount in the Trust as of the valuation date is \$ _____
- ☐ No



7) **Contribution Amounts for Current Retirees** – Cavanaugh Macdonald Consulting GASB 43/45 OPEB Valuation reports have been updated to include an Annual OPEB Cost and Net OPEB Obligation exhibit. This exhibit will assist the municipality in preparing the Notes to the Financial Statements section in the Certified Annual Financial Report (CAFR). **Please include pages from the locality's most recent CAFR which shows the Net OPEB Obligation as well as the Annual OPEB Cost.** Additionally, in order to complete the exhibit, please provide the following information for retiree coverage.

If fully-insured, please provide the following for the fiscal year ended 2012:

- a) The retiree contributions for pre-65 retiree only medical coverage;
- b) The retiree contributions for dependent medical coverage;
- c) Municipality contributions for pre-65 retiree only medical coverage;
- d) Municipality contributions for post-65 (if applicable) retiree only medical coverage;
- e) Municipality contributions for post-65 (if applicable) dependent medical coverage; and
- f) Municipality dental, vision, and life insurance premiums paid (if applicable) for eligible retirees.

If self-insured, please provide the following for the fiscal year ended 2012:

- a) Total claims paid (net of stop loss reimbursements) on behalf of retirees;
- b) Total stop loss premiums paid (if applicable) on behalf of retirees; and
- c) The locality dental, vision, and life insurance premiums paid (if applicable) on behalf of eligible retirees.

If we do not receive the contributions for the most recent fiscal year, then the Net OPEB Obligation will be indicated as TBD in the report.

8) **Additional Information**

- a) Please provide a copy of the most recent GASB 43/45 OPEB valuation performed by the previous actuary (other than Cavanaugh Macdonald), if applicable.
- b) Please provide the name and e-mail address of someone who can be contacted to answer questions, should they arise.

If you have questions about the form, please contact **Alisa Bennett** (AlisaB@CavMacConsulting.com) at Cavanaugh Macdonald Consulting, LLC at (678) 388-1703.

**RETURN FORM ALONG WITH YOUR FLOPPY DISK OR CD-ROM
AND ANY OTHER REQUESTED MATERIALS TO
CAVANAUGH MACDONALD CONSULTING**

**CAVANAUGH MACDONALD CONSULTING, LLC
3550 BUSBEE PARKWAY, SUITE 250
KENNESAW, GA 30144**